

# **EXHIBIT B**



January 13, 2006

Rick Sprott  
Executive Secretary  
Utah Division of Air Quality  
150 North 1950 West  
Salt Lake City, UT 84116

**Re: IPA Unit 3 Request for 24 Month Extension**

Dear Mr. Sprott:

The Intermountain Power Service Company ("IPSC") submits this request for a twenty-four (24) month extension of the period within which to commence construction under Approval Order #DAQE-AN0327010-04. The AO was issued by the Utah Department of Air Quality ("UDAQ") on October 15, 2004 for the addition of a new Unit 3 at the Intermountain Power Generating Station. The request will extend the time period to commence construction from April 15, 2006 until April 15, 2008.

**Construction Status**

General Condition #8 of the AO indicates that IPSC shall notify you in writing on the status of construction and/or installation of Unit 3 within 18 months of the issuance of the AO. The development participants have been actively engaged in many project development activities at great expense, including the following:

- developing joint ownership arrangements
- preparing agreements to govern the use of facilities in common with units 1 and 2
- preparing a joint operating agreement covering units 1, 2 and 3
- exploring fuel supply strategies
- initiating engineering and other technical work prerequisite to the procurement of equipment.

The development participants have spent in excess of \$5 million dollars in preparatory work for the Unit 3 project and will continue to vigorously pursue these ongoing activities leading to the selection of an owner's engineer, preparation of

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detailed specifications for construction, and procurement of necessary equipment and on-site construction activities commencing before April 15, 2008.

Extension Requests

Extension requests for major coal plants and other complex facilities are not uncommon. The Wyoming DEQ recently granted a 24 month extension to the Two Elks project and the North Dakota Department of Health granted a 36 month extension for a North Dakota PSD permit. Other states have granted extensions as well.

AO Timing

It is, quite literally, not possible to complete all of the tasks necessary to develop, design and construct a coal-fired power plant of this size in the 18 month window prescribed in the AO. For that reason, AO General Condition #8 and the underlying requirements contemplate a process to extend the AO as necessary.

In addition to the amount of time required to complete the development tasks noted above, there are long lead times for many construction-related activities and significant timing needs associated with the financial complexities surrounding a project with construction costs of over \$1 Billion-a complicated 950 MW Unit 3 project with unique features, i.e. engineering designs, financing, and ownership. In addition, the legal challenge to AO and the subsequent appeal of the Air Board's decision has taken a tremendous amount of time and resources. Until that legal challenge is completed, the AO does not have the certainty necessary to make final construction plans and finalize financing.

Discussions among the development participants likewise require large amounts of time, along with the time to complete the resource planning requirements of individual development participants (including the SB 26 mandated PSC approval process for PacifiCorp). For all of these reasons, IPSC believes that adequate justification exists to extend the 18 month timeframe to commence construction for an added 24 months. The need is even greater because one of the original development participants unexpectedly withdrew from the project—the Los Angeles Department of Water & Power (LADWP). This in and of

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itself caused significant delay and is an added reason why an extension is necessary.

BACT Update

IPSC and the development participants are mindful of the need to assure that there have not been any significant changes in Best Available Control Technology ("BACT") determinations since the AO for Unit 3 originally was issued. In that regard, a study by CH2MHill has gathered BACT determinations for facilities similar to the new Unit 3 at the Intermountain Power Generating Station, issued since October 15, 2004. See Attachment A for a list of the BACT determinations updated since October 15, 2004. This study reveals that no new pollution control technologies have been determined as BACT for facilities similar to Unit 3. Based on this review, IPSC has determined that no new technologies or emissions levels have been established as BACT that would require any revisions to the AO.

Accordingly, IPSC respectfully requests that a twenty-four (24) month extension be granted to allow IPSC sufficient time to further develop, design and begin construction on the new Unit 3. Thank you for your attention to this matter, and please contact me with any questions.

Sincerely,

*Reed T. Searle*

Reed T. Searle  
General Manager

Enclosures

Cc:            Doug Hunter, UAMPS  
               Ernie Wessman, PacifiCorp

## **Attachment A**

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The Approval Order for IPP Unit 3 was issued on October 15, 2004. Since that issuance, some new air quality construction permits have been issued for pulverized coal fired utility boilers. Enclosed is an updated listing of these permits similar to the one that was included in the appendix of the original Notice of Intent for IPP 3.

The permits that were issued subsequent to October 15, 2004 and were reviewed are Comanche Unit 3, Weston Unit 4, WYGEN Unit 2, Newmont Unit 1, as well as the re-issuance of the Bull Mountain Roundup Units 1 and 2 permit.

CH2M HILL has reviewed these permits and has determined that for NOx, all of these permits are in the range of 0.07 to 0.08 pounds per million BTU 30 day rolling average. The IPP AO is 0.07 pounds per million BTU 30 day rolling average. Therefore there is no justification to revise the IPP NOx limit.

For SO<sub>2</sub>, all of these permits are in the range of 0.09 to 0.10 pounds per million BTU 30 day rolling average. The IPP AO is 0.09 pounds per million BTU 30 day rolling average and 0.10 24 hour average. Therefore there is no justification to revise the IPP SO<sub>2</sub> limit.

For CO the permits range from 0.13 to 0.15 pounds per million BTU with the Comanche permit at 0.13 pounds per million BTU eight hour rolling average during normal operation but a much higher limit of 0.30 pounds per million BTU during startup. The Newmont permit is for a shorter averaging time (24 hour rolling average) while the IPP AO CO limit is for 30 day rolling average of 0.15 pounds per million BTU. The IPP AO is well in the range of the most recent permits and therefore we see no reason to revise the IPP CO limit.

For VOC, the permits range from 0.0027 to 0.01 pounds per million BTU. The Newmont permit is for 8.1 pounds per hour which is equivalent to 0.004 pounds per million BTU at full load. The IPP AO is 0.0027 pounds per million BTU which is the lowest BACT limit. Therefore we see no reason to revise the IPP VOC limit.

For PM<sub>10</sub>, the permits range from 0.012 to 0.18 pounds PM<sub>10</sub> filterable per million BTU. The IPP AO is at 0.012 pounds per million BTU for a three test run average. This is the lowest BACT limit of all the permits and therefore we see no reason to revise the IPP PM<sub>10</sub> limit.

For H<sub>2</sub>SO<sub>4</sub>, the permits range from .001 to 0.005 pounds per million BTU. The IPP AO limits H<sub>2</sub>SO<sub>4</sub> emissions to .0044 pounds per million BTU 24 hour block average. The Newmont limit is 0.001 pounds per million BTU (2.04 pounds per hour) using a dry lime FGD system while IPP Unit 3 will use a wet limestone scrubber. Given this difference in sulfur control technology the Newmont permit limit for H<sub>2</sub>SO<sub>4</sub> is inapplicable. The remaining permits range from 0.0042 to .005 and the IPP is in this range. Therefore we see no reason to revise the IPP H<sub>2</sub>SO<sub>4</sub> limit.

TABLE E-1  
NSR RACT/BACT/LAER Clearinghouse Database  
BACT/FSD Sources for CO  
Coal Fired PC Boilers

RBC ID	Company Name and Location	# of Units	Unit and Size	Control Technology	Efficiency	Emission Limit	Averaging Period	Permit No.
	Roundup Power Montana	2	Coal Fired Boiler 360 MW each	Proper Boiler Design and Operation	not given	0.15	lb/MMBTU	12/08/05 3182-01
	Black Hills WYGEN Unit 2	1	Coal Fired Boiler 100 MW	Combustion Control	not given	0.15	lb/MMBTU	7/11/2005
	Xcel Comanche Unit 3	1	Coal Fired Boiler 7,421 MMBtu/hr	Combustion Control	not given	0.13	lb/MMBTU	7/5/2005
	Colorado						8-hour Rolling avg.	
NV-0036	Newmont Nevada Energy Investment, Inc. TS Power Plant Nevada	1	Coal Fired Boiler 2030 MMBTU/HR	Good Combustion Controls	not given	0.15	lb/MMBTU	5/05/2005
	Wisconsin Public Power Plant Unit 4 Wisconsin	1	Coal Fired Boiler 5,173 MMBtu/hr	Combustion Control	not given	0.15	lb/MMBTU tons/yr	No. AF4911-1349
	Intermountain Power Project Unit 3 Utah	1	Coal Fired Boiler 9050 MMBtu/hr	Combustion Control	not given	0.15	lb/MMBTU lbs/hr	1-Day 12-month Rolling avg. 30-day Rolling avg. 8-hour Block avg.
						3,399		10/18/2004

Notes:

NSR RACT/BACT/LAER Clearinghouse database (<http://www.epa.gov/npn/cact>) was queried for the following:

- RBC Determinations added during or after October 15, 2004
- SIC Code: 4911
- Process Type Code: 11,100 - Coal Combustion

**TABLE E-2**  
NSR RACT/BACT/LAER Clearinghouse Database  
BACT/PSD Sources for VOC  
Coal Fired PC Boilers

RLCC ID	Company Name and Location	# of Units	Unit and Size	Control Technology		Control Efficiency	Emission Limit	Averaging Period	Permit Date and Permit No.
				Proper Boiler Design and Operation	Combustion Control				
Roundup Power	Roundup Power Project	2	Coal Fired Boiler 390 MW each	not given	0.003	1#/MMBTu	1#/MMBTu	1/20/2005 31BZ-01	
Montana	Black Hills	1	Coal Fired Boiler 100 MW	not given	0.01	1#/MMBTu	1#/MMBTu	7/11/2005	
Wyoming	WYGEN Unit 2	1	Coal Fired Boiler 7,421 MMBtu/hr	not given	0.0036	1#/MMBTU tons/syr	1#/MMBTU 12-month Rolling avg.	7/5/2005	
Xcel Comanche	Unit 3	1	Coal Fired Boiler 5,173 MMBtu/hr	not given	0.0036	1#/MMBTU 3 stack test run average	1#/MMBTU	10/18/2004	
Colorado	Wisconsin Public Power Plant Unit 4	1	Coal Fired Boiler 9050 MMBtu/hr	not given	0.0027			10/15/2004	
Wisconsin	Intermountain Power Project Unit 3	1							
Utah									

Notes:

TABLE E3  
NSR RACT/BACT/AER Clearinghouse Database  
BACT-PSD Sources for PM  
Coal Fired PC Boilers

RLIC ID	Company Name and Location	# of Units	Unit and Size*	Control Technology	Control Efficiency	Emission Limit	Averaging Period	Permit Date and Permit No.
NV-0036	Newman Nevada Energy Investment, Inc. TS Power Plant Nevada	1	Coal Fired Boiler 2030 MMBTU/HR	Fabric Filter	not given	0.012 16MMBTU	24-hour	5/05/2005 No. AP4911-1349

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**TABLE E-4**  
**NSR RACT/BACT/LER Clearinghouse Database**  
**BACT/PSD Sources for PM<sub>10</sub>**  
**Coal Fired PC Boilers**

RBC ID	Company Name and Location	# of Units	Unit and Size	Control Technology	Control Efficiency	Emission Limit	Averaging Period	Permit Date and Permit No.
	Roundup Power Roundup Power Project Montana Black Hills WYGEN Unit 2 Wyoming Xcel Comanche Unit 3 Colorado	2	Coal Fired Boiler 390 MW each Coal Fired Boiler 100 MW Coal Fired Boiler 7,421 MMbtu/hr	Fabric Filter Baghouse Fabric Filter Fabric Filter	not given not given not given	0.012 0.012 0.012 0.020	lb/MMBTU lb/MMBTU 3-hour Rolling avg (filterable & condensable) 3-hour Rolling avg (filterable & condensable)	12/08/05 31/02/01 7/11/2005 7/5/2005
NV-0036	Newmont Nevada Energy Investment, Inc. TS Power Plant Nevada	1	Coal Fired Boiler 2030 MMbtu/hr	Fabric Filter	not given	0.012	lb/MMBTU 24-hour	5/05/2005 No. AP-9-1-1349
	Wisconsin Public Power Plant Unit 4 Wisconsin	1	Coal Fired Boiler 5,173 MMbtu/hr	Fabric Filter	not given	0.018	lb/MMBTU 3-hour Rolling avg.	10/18/2004
	Intermountain Power Project Unit 3 Utah	1	Coal Fired Boiler 9050 MMbtu/hr	Fabric Filter	not given	0.012 221	lb/MMBTU lb/ft <sup>3</sup> 3 stack test run avg. 24-hour Block avg	10/15/2004

Note:

NSR RACT/BACT/LER Clearinghouse database (<http://www.epa.gov/ttr/calc>) was queried for the following:

**TABLE E-5**  
**NSR RACT/BACT/LAER Clearinghouse Database**  
**BACT-PSD Sources for Lead**  
**Coal Fired PC Boilers**

RBLIC ID	Company Name and Location	# of Units	Unit and Size	Control Technology	Control Efficiency	Emission Limit	Averaging Period	Permit Date and Permit No.
<b>Notes:</b>								

**TABLE E-6**  
**NSR RACT/BCT/LAER Clearinghouse Database**  
**BCt-PSD Sources for Fluorides**  
**Coal Fired PC Boilers**

RBLIC ID	Company Name and Location	# of Units	Unit and Size	Control Technology	Control Efficiency	Emission Limit	Averaging Period	Permit Date and Permit No.
NV-0036	Newmont Nevada Energy Investment, Inc.	1	Coal Fired Boiler 2030 MMBTU/Hr	Dry Spray Scrubber and Fabric Filter	not given	1.17 lbs/hr		5/05/2005 No. AP4911-1349

Notes:

TABLE E-7  
NSR RACT/BACT/LAER Clearinghouse Database  
BACT/PSD Sources for SO<sub>2</sub>,  
Coal Fired PC Boilers

RELC ID	Company Name and Location	# of Units	Unit and Site	Control Technology	Control Efficiency	Emission Limit	Averaging Period		Permit Date and Permit No.
							1-hour	30-day Rolling avg. 3-hour Block avg.	
	Roundup Power Project Montana Black Hills WYGEN Unit 2	2	Coal Fired Boiler 390 MW each	Dry Flue Gas Desulfurization System	90%	0.15	lb/MMBtu	1-hour	12/20/05 3/18/2-01
	Xcel Comanche Unit 3 Colorado	1	Coal Fired Boiler 100 MW	Dry Lime FGD	not given	0.10 0.12	lb/MMBtu	30-day Rolling avg. 3-hour Block avg.	7/11/2005
	Newmont Nevada Energy Investment, Inc. TS Power Plant Nevada	1	Coal Fired Boiler 7,421 MMBtu/hr	Dry Lime FGD	not given	0.1	lb/MMBtu	30-day Rolling	7/5/2005
NV-0036			2030 MMBtu/hr	Lime Spray Dryer Scrubber	not given	0.09 0.085	lb/MMBtu	24-hour (Coal S >= 0.45%) - 95% removal eff. 30-day period 24-hour (Coal S < 0.45%) - 91% removal eff. day period	5/05/2005
	Wisconsin Public Power Plant Unit 4 Wisconsin	1	Coal Fired Boiler 5,173 MMBtu/hr	Dry Lime FGD	not given	0.10 0.09	lb/MMBtu	24-hour Block avg. 30-day Rolling avg.	1/0/18/2004
	Intermountain Power Project Unit 3 Utah	1	Coal Fired Boiler 9050 MMBtu/hr	Wet Limestone FGD	not given	0.10 0.09	lb/MMBtu	24-hour Block avg. 30-day Rolling avg.	1/0/15/2004

Notes:

**TABLE E-4**  
NSR RACT/BACT/AER Clearinghouse Database  
BACT-PSD Sources for NO<sub>x</sub>  
Coal Fired PC Boilers

RBLC ID	Company Name and Location	# of Units	Unit and Size	Control Technology	Efficiency	Emission Limit	Averaging Period	Permit No.
	Roundup Power Roundup Power Project Montana Black Hills WYGEN Unit 2 Wyoming Xcel Comanche Unit 3 Colorado	2	Coal Fired Boiler 390 MW each Coal Fired Boiler 100 MW Coal Fired Boiler 7,421 MMBtu/hr	SCR, Low NOx Burners, and Overtire Air SCR and Low NOx Burners SCR and Low NOx Burners	not given not given not given	0.1 0.07 0.08	1-hour 30-day Rolling 30-day Rolling	12/08/2005 3182-01 7/11/2005
NV-0036	Newmont Nevada Energy Investment, Inc. TS Power Plant Nevada Wisconsin Public Power Plant Unit 4 Wisconsin Intermountain Power Project Unit 3 Utah	1	Coal Fired Boiler 2030 MMBTU/HR Coal Fired Boiler 5,173 MMBtu/hr Coal Fired Boiler 8050 MMBtu/hr	SCR, Low NOx Burners and Overtire Air SCR and Low NOx Burners SCR and Low NOx Burners	not given not given not given	0.067 0.07 0.07	24-hour rolling 30-day Rolling 24-hour	5/05/2005 No. AP4911-1349 10/18/2004 10/15/2004

Notes:

TABLE E-9  
NSR RACT/BACT/LAER Clearinghouse Database  
BACT-PSD Sources for H<sub>2</sub>SO<sub>4</sub>  
Coal Fired PC Boilers

RBLIC ID	Company Name and Location	# of Units	Unit & Size	Control Technology		Emission Limit	Averaging Period	Permit Date and Permit No.
				Control Efficiency				
	Roundup Power Roundup Power Project Montana Black Hills WYGEN Unit 2 Wyoming Xcel Comanche Unit 3 Colorado	2	Coal Fired Boiler 380 MW each Coal Fired Boiler 100 MW Coal Fired Boiler 7,421 MMBtu/hr	Dry Flue Gas Desulfurization System Dry Lime FGD Dry Lime FGD	not given not given not given	0.0064 0.0042 2.06	lb/MMBTU lb/MMBtu lb/hr	12/08/05 3182-01 7/1/2005
NV-0036	Newmont Nevada Energy Investment, Inc. TS Power Plant Nevada Wisconsin Public Power Plant Unit 4 Wisconsin Intermountain Power Project Unit 3 Utah	1	Coal Fired Boiler 2030 MMBTU/HR Coal Fired Boiler 5,173 MMBtu/hr Coal Fired Boiler 8050 MMBtu/hr	Dry Spray Scrubber and Fabric Filter Dry Lime FGD Wet Limestone FGD	not given not given not given	0.005 0.0044	lb/MMBTU lb/MMBTU 24-hour avg	5/05/2005 No. AF4911-1349 10/18/2004

Notes:

TABLE E-10  
NSR RACT/BCAT/LAER Clearinghouse Database  
BACT/PSD Sources for Beryllium  
Coal Fired PC Boilers

RBLIC ID	Company Name and Location	# of Units	Unit and Size	Control Technology	Emission Limit	Averaging Period	Permit Date and Permit No.
<b>Notes:</b> NSR RACT/BCAT/LAER Clearinghouse database ( <a href="http://www.epa.gov/ln/catc">http://www.epa.gov/ln/catc</a> ) was queried for the following: •RBLIC Determinations added during or after January 1995 •SIC Code: 4911 •Process Type Code: 11.110 - Coal Combustion							



The State  
of Wyoming



Dave Freudenthal, Governor

## Department of Environmental Quality

Herschler Building • 122 West 25th Street • Cheyenne, Wyoming 82002

ADMIN/OUTREACH	ABANDONED MINES	AIR QUALITY	INDUSTRIAL SITING	LAND QUALITY	SOLID & HAZ. WASTE	WATER QUALITY
(307) 777-7758 FAX 777-3610	(307) 777-6145 FAX 777-6462	(307) 777-7391 FAX 777-5616	(307) 777-7368 FAX 777-5937	(307) 777-7756 FAX 777-5884	(307) 777-7752 FAX 777-5973	(307) 777-7781 FAX 777-5973

May 17, 2004

Mr. Fred Carl  
Director Environmental Services  
Black Hills Corporation  
P.O. Box 1400  
Rapid City, SD 57709

Re: Air Quality Permit CT-3030 Extension

Dear Mr. Carl:

The Division is in receipt of your letter dated March 25, 2004, requesting to extend the construction period for Air Quality Permit CT-3030. Permit CT-3030, issued September 25, 2002, authorized the construction of a 500 megawatt (MW) pulverized coal fired electric generating facility, known as WYGEN 2, located at 13151 Hwy 51 approximately five (5) miles east of Gillette in Campbell County, Wyoming.

Condition 6 of the issued permit states that construction shall commence within 24 months of issuance of the permit. The allotted 24 months for construction is scheduled to lapse on September 25, 2004. An appeal of the final permit was filed on November 25, 2002 and action on the appeal is pending. For this reason, the Division will extend the permit for a period of one year. Construction must commence prior to September 25, 2005, for the approval to construct the WYGEN 2 Electric Generating Plant to remain valid.

If you should have any questions concerning this matter, please contact this office at (307) 777-7391.

Sincerely,

Dan Olson  
Administrator  
Air Quality Division

cc: Bob Gill  
Mike Warren  
Main File CT-3030